

Message Text

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ACTION EB-11

INFO OCT-01 EUR-25 ISO-00 AEC-11 AID-20 CEA-02 CIAE-00

CIEP-02 COME-00 DODE-00 FEA-02 FPC-01 H-03 INR-10

INT-08 L-03 NSAE-00 NSC-07 OMB-01 PM-07 RSC-01 SAM-01

SCI-06 SP-03 SS-20 STR-08 TRSE-00 SWF-02 AGR-20 SIL-01

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R 131747Z MAY 74

FM AMEMBASSY BRUSSELS

TO SECSTATE WASHDC 781

INFO AMEMBASSY PARIS

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USMISSION EC BRUSSELS

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UNCLAS BRUSSELS 3016

E. O. 11652: N/A

TAGS: ENRG, BE

SUBJECT: ENERGY: LOCAL PETROLEUM SUPPLY SITUATION

REF: BRUSSELS 2362

1. SUMMARY: NEW BELGIAN GOVERNMENT HAS MOVED QUICKLY TO BOLSTER LOCAL PETROLEUM SUPPLY PROSPECTS WITH SERIES OF PROPOSALS ADOPTED BY CABINET ON MAY 10. PROPOSALS CALL FOR ELIMINATION OF EXISTING CONTROLS ON INTERNAL DISTRIBUTION AND EXPORTS, INCREASE IN RETAIL PRICES TO PROVIDE INDUSTRY WITH AN ADDITIONAL BF 300 PER TON OF REFINED PRODUCTION, AND GOVERNMENT SPONSORED REVIEW OF INDUSTRY PRICE STRUCTURE. WHILE NEW PROPOSALS DO NOT FULLY MEET INDUSTRY REQUESTS THEY SHOULD RESULT IN INDUSTRY WILLINGNESS TO INCREASE IMPORTS WHICH HAVE FALLEN OFF SIGNIFICANTLY. ABSENCE OF SOCIALIST PARTY FROM NEW GOVERNMENT HAS BOTH HINDERED ABILITY OF SOCIALIST

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TRADE UNIONS TO OPPOSE NEW PRICE LEVEL AND INCREASED

INDUSTRY CONFIDENCE IN GOVERNMENT IMPARTIALITY. END
SUMMARY.

2. NEW TINDEMANS' GOVERNMENT HAS MOVED QUICKLY TO DEAL WITH PETROLEUM SUPPLY AND PRICE PROBLEM. SHORTLY AFTER ACCEPTING PORTFOLIO MINECONAFFAIRS OLEFFE BEGAN DISCUSSIONS WITH PETROLEUM INDUSTRY AND TRADE UNIONS AND PROPOSED INTERIM ARRANGEMENTS WHICH GO INTO EFFECT MAY 15.

3. OLEFFE'S PROPOSALS WERE ACCEPTED BY INDUSTRY REPS DURING WEEK MAY 6-10. WHILE SOCIALIST UNION FGFB IN PARTICULAR WAS PUBLICLY CRITICAL, ABSENCE OF SOCIALIST PARTY FROM GOVERNMENT COALITION RESTRICTED UNION'S ABILITY TO OPPOSE IMPLEMENTATION.

4. GOB CABINET AT REGULAR FRIDAY MEETING MAY 10 (ITS FIRST) APPROVED OLEFFE'S PROPOSALS WHICH ARE:

A. CANCEL CURRENT GOVERNMENT PETROLEUM REQUISITION REGULATIONS AND (ADMINISTRATIVE) RESTRICTIONS ON EXPORTS.

B. RAISE RETAIL PRICES ON PETROLEUM PRODUCTS EFFECTIVE MAY 15. INCREASE WILL BRING PETROLEUM REFINERS AN ADDITIONAL BF 300 PERTON. FOLLOWING ARE NEW PRICES PER LITER FOR PETROLEUM PRODUCTS; VALUE ADDED TAX INCLUDED AND AMOUNT OF INCREASE IN FRANCS IN BRACKETS: SUPER BF 14.44 (1); REGULAR BF 13.86 (1); HEATING OIL BF 4.41 (0.40); LIGHT FUEL OIL BF 4.25 (0.40). IN ADDITION, LUBRICANTS AND LPG ARE BEING INCREASED BY BF 150 PERTON.

C. IMMEDIATELY BEGIN REVIEW OF INDUSTRY PRICE STRUCTURE WITH JUNE 30, 1974 DEADLINE.

5. NEW INCREASE RAISES INDUSTRY RETURN PER TON ON PROCESSED PETROLEUM BY OVER BF 1,500 PER TON WHICH STILL FALLS SHORT OF BF 1700 WHICH THEY HAD CLAIMED WAS ABSOLUTE MINIMUM (BRUSSELS 1961). HOWEVER, QUICK GOVERNMENT ACTION EASES TENSION IN SITUATION. COMPOSITION OF NEW GOVERNMENT (WHICH EXCLUDES SOCIALISTS) MORE ACCEPTABLE TO INDUSTRY WHICH HAS BEEN LOCKED IN DEBATE WITH SOCIALIST PARTY AND ITS AFFILIATED TRADE UNION OVER ISSUE OF GOVERNMENT PARTICIPATION IN AND CONTROL OF INDUSTRY.

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6. GOB ACTION SPURRED BY SUPPLY DIFFICULTIES IN COUNTRY. SINCE LATE JANUARY INDUSTRY HAS CUT IMPORTS AND REFINING DRASTICALLY. BELGIUM'S STOCKS HAVE BEEN DRAWN DOWN IN CONSEQUENCE TO POINT WHERE MINECONAFFAIRS OLEFFE STATED ON MAY 6 THAT STOCKS (I.E., LEGALLY REQUIRED STOCKS) WERE DOWN TO 20 DAYS OF NORMAL CONSUMPTION OF GASOLINE AND GAS OIL AND 40 DAYS OF INDUSTRIAL FUELS, AND WERE DECLINING AT A RATE OF FIVE DAYS CONSUMPTION PER WEEK.

7. BRUSSELS DAILY LIBRE BELGIQUE PUBLISHED ON MAY 9
FOLLOWING FIGURES ON PRODUCTION LEVELS OF BELGIAN
REFINERIES AS OF MAY 6 WHICH SHOS TOTAL PRODUCTION THAT
DAY OF 54,000 TONS OR 43 PERCENT OF CAPACITY: ALBATROS:
6,000 T/D AGAINST 15,000 T/D CAPACITY; CHEVRON: ZERO
AGAINST 15,655 T/D CAPACITY: ESSO: 8,000 T/D AGAINST
11,429 T/D CAPACITY; RBP: 6,000 T/D AGAINST 13,333 T/D
CAPACITY; SIBP: 15,000 T/D AGAINST 50,000 T/D CAPACITY;
SHELL: 700 T/D AGAINST 11,400 T/D CAPACITY; TEXACO:
19,000 T/D AGAINST 19,000 CAPACITY (PRIMARILY FOR EXPORT)

8. NEWLY CREATED PETROLEUM CONSULTATION AND CONTROL
COMMISSION (BRUSSELS 2362) SCHEDULED TO CONVEN FOR FIRST
MEETING JULY 15.
BOOCHEVER

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